



Project Data Sheet

Project 51348-003

Project Name Operationalization of the Uzbekistan Mortgage Refinancing Company

Project Number 51348-003

Country / Economy Uzbekistan

Project Status Closed

Project Type / Modality of Assistance Technical Assistance

Source of Funding / Amount **TA 9722-UZB: Operationalization of the Uzbekistan Mortgage Refinancing Company**

Republic of Korea e-Asia and Knowledge Partnership Fund

US\$ 500,000.00

Strategic Agendas Environmentally sustainable growth
Inclusive economic growth

Drivers of Change Governance and capacity development
Knowledge solutions
Partnerships
Private sector development

Sector / Subsector **Finance** / Housing finance

Gender No gender elements

Description The knowledge and support technical assistance (TA) will support the operationalization of the Uzbekistan Mortgage Refinancing Company (UMRC) which will provide long-term funding to the banks in Uzbekistan to stimulate the market-based mortgage financing sector. Over time, this will help the economy to develop its financial sector and capital markets thereby contributing to long-term sustainable growth.
This TA will build on the outputs of the KSTA 9479-UZB: Mortgage Market Development Program, which produced the business plan for UMRC including a roadmap for the operationalization of the company and an outline of the regulatory changes required to ensure market uptake. The proposed TA will be a natural continuation of these efforts by financing the actual establishment of the company starting from setting up the actual legal structure, capitalizing to staffing and preparing the operational documents such as the lending policies, risk manuals, and human resources policies.

The continued population growth of Uzbekistan is putting substantial pressure on the economy in providing adequate housing supply. While the government is addressing some of the key challenges on the supply side of the housing market, especially in the rural areas, with the assistance of international donors, notably the ADB, its fiscal resources are not sufficient and need to be supplemented through the mobilization of market-based mortgage finance products through the commercial banking sector. However, the market-based residential commercial mortgage loan market in Uzbekistan remains severely underdeveloped as evidenced by the fact that the mortgage loans to GDP ratio is only 4.8% (compared to close to 50% in developed countries) and the total mortgage loan portfolio is only 14.2% of banks' total loan portfolio in Uzbekistan (while it was approximately 24.5% in Armenia, 41.7% in Russia, or 41.6% in the USA in 2016).

One of the main reasons why commercial banks have been unable to play their financial intermediation role in the housing finance sector is the lack of access to long-term funding sources. To address this issue, ADB is currently working with the Government of Uzbekistan (GOU) on the Mortgage Market Development Program (MMDP). Under MMDP, ADB is proposing to provide up to \$200 million to support the development of the mortgage market in the country.

Project Rationale and Linkage to Country/Regional Strategy

MMDP will have 3 outputs, namely to: (i) address the various gaps in the housing policy and subsidy environment in order to reduce the reliance on the various Government-sponsored housing programs that are mostly inefficient, untargeted and expensive while at the same time start the development of the commercial mortgage finance sector through policy-based actions; (ii) strengthen the management, monitoring, evaluation and design of Uzbekistan's present and new housing programs through the set-up of a housing assistance unit (HAU) under the auspices of the MOF; and (iii) establish UMRC which will directly address the lack of long-term funding to the banking sector by raising long-term finance first from donors such as the ADB and at a later stage, through the domestic capital markets.

This proposed TA will assist output 3 under MMDP, i.e. the operationalization of the proposed UMRC while the other 2 outputs under MMDP will be supported through an increase of the TA amount under TA 9479-UZB. UMRC will be a dedicated wholesale mortgage refinance institution to be established as a joint venture between GOU and the Uzbek banking sector. The company will be run on a commercial basis and will offer long-term funding on market based terms to all participating financial institutions (PFIs) while at the same time promote technical competence inside the housing finance sector, encourage competition in the banking sector, collect sector related data and information and build capacity and awareness for the importance of a well-developed housing finance sector among the relevant stakeholders such as the banks, regulators, market practitioners and the public.

Impact

Availability of affordable mortgage credit increased (Uzbekistan National Development Strategy for 2017/2021).

Project Outcome

Description of Outcome

UMRC made operational

Progress Toward Outcome	UMRC was registered in November 2019. Core personnel was hired in January-July 2020. Central Bank of Uzbekistan registered the company in the registrar of credit institutions in June 2020. UMRC is now operational. ADB disbursed initial advance to UMRC in October 2020.
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Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> 1. Institutional structure of UMRC established 2. UMRC's operational framework developed 3. ICT support established
Status of Implementation Progress (Outputs, Activities, and Issues)	UMRC is now established with relevant corporate governance structure and procedures. CBU is the regulator of mortgage refinancing companies and approved Regulation on MRCs in February 2020. UMRC ICT development plan was developed and being implemented.
Geographical Location	Nation-wide

Summary of Environmental and Social Aspects

Environmental Aspects
Involuntary Resettlement
Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design	ADB Project team had very extensive discussions with all government agencies and counterparts during the project design in 2019. The high level meetings were held with the Ministry of Finance, Central Bank of Uzbekistan, potential commercial banks interested in the program.
During Project Implementation	The dialogue and discussions are being held on a regular basis to resolve any issues that require support of the government agencies and counterparts.

Business Opportunities

Consulting Services	The consultancy will be led by an international firm with preferably 10 years' experience delivering work in similar assignments or in closely-related assignments, preferably with ADB and throughout the Asia Pacific region, including Uzbekistan. In particular, the firm should be specializing in financial services with good knowledge of housing finance, specifically mortgages, and capital markets. Previous experience in capitalizing and operationalizing mortgage refinance companies would be an added advantage.
Responsible ADB Officer	Nurkuzieva, Nilufar
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Uzbekistan Resident Mission
Executing Agencies	<i>Asian Development Bank</i> <i>Ministry of Finance</i>

Timetable

Concept Clearance	29 Oct 2018
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Fact Finding	-
MRM	-
Approval	29 Mar 2019
Last Review Mission	-
Last PDS Update	29 Oct 2020

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Milestones

Approval	Signing Date	Effectivity Date	Closing	Revised	Actual
			Original		
29 Mar 2019	03 May 2019	03 May 2019	31 Dec 2020	31 Dec 2021	31 Mar 2022

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart		Project Sponsor	Others	Total	Date	Amount
		Gov	Beneficiaries					
0.00	500,000.00	50,000.00	0.00	0.00	0.00	550,000.00	07 Oct 2022	496,596.85

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